

U. S. TREASURY DEPARTMENT  
Internal Revenue Service  
Washington 25, D. C.

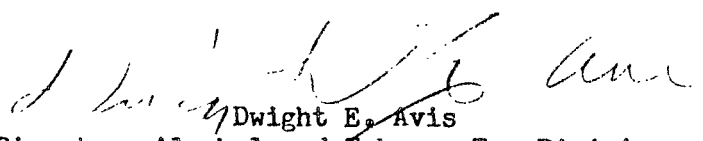
July 18, 1956

Alcohol and Tobacco Tax Division  
Industry Circular No. 56-26

Instructions Relative to  
Reporting Unstemmed Leaf Tobacco

Manufacturers of tobacco products:

1. The purpose of this industry circular is to furnish information concerning the manner of reporting certain tobacco in tobacco products manufacturers' factory revenue records and monthly reports.
2. The question has been raised as to whether certain leaf tobacco as, for example, the Turkish and Puerto Rican varieties, in which the stem is so fine that the leaf is frequently used in manufacture in its entirety, should be shown in the factory revenue records and monthly reports as unstemmed or stemmed leaf tobacco when received.
3. Leaf tobacco, as defined by regulations, includes both unstemmed and stemmed tobacco. Unstemmed tobacco is tobacco from which the stem or mid-rib has not been removed. Conversely, stemmed tobacco is tobacco from which the stem or mid-rib has been removed.
4. Therefore, in making entries in their factory revenue records and in preparing monthly reports, manufacturers should show all leaf tobacco received and shipped from which the stem or mid-rib has not been removed under unstemmed leaf tobacco, regardless of whether such tobacco will or will not be stemmed when used in the manufacture of tobacco products. The subsequent accounting for unstemmed tobacco used in the manufacture of tobacco products, and the question of a loss allowance for stems, will be determined on the basis of whether the whole leaf is used or whether the stems are removed and are not used in manufacturing.
5. Inquiries in regard to this industry circular should refer to the number thereof and should be directed to the appropriate Assistant Regional Commissioner, Alcohol and Tobacco Tax.

  
Dwight E. Avis  
Director, Alcohol and Tobacco Tax Division

IRS-20631